

Message Text

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PAGE 01 MADRID 06271 161955Z

71

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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TO SECSTATE WASHDC 6802

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E.O. 11652: N/A

TAGS: EFIN, SP

SUBJECT: POSSIBLE SAUDI LOAN FOR SPAIN

REF: MADRID 5172

1. MINFIN DIRECTOR GENERAL FOR FINANCIAL POLICY SATRUSTEGUI TOLD US HE WILL RESUME TALKS IN MIDDLE EAST, PRINCIPALLY WITH SAUDI ARABIA, IN SEPTEMBER AND OCTOBER, AIMING TO BORROW ON GOVERNMENT-TO-GOVERNMENT BASIS "AS MUCH MONEY AS POSSIBLE." SPANISH FINANCIAL DELEGATION VISITED AREA IN JULY FOR EXPLORATORY DISCUSSIONS. SATRUSTEGUI SAID ANY SUCH BORROWING WOULD NOT BE TIED ONLY TO FINANCING OIL IMPORTS. HE FELT IT WOULD STILL TAKE A LONG TIME TO FINALIZE ANY DEAL, NOTING "IT IS DIFFICULT TO KNOW WHAT ARAB PEOPLE HAVE IN MIND."

2. GOS IS REPORTEDLY AFTER A SIZEABLE LOAN OR LOANS FROM MIDDLE EAST SOURCES AS A FURTHER MEANS OF FINANCING BALANCE OF PAYMENTS DEFICIT. A FIGURE OF \$500 MILLION, OR POSSIBLY MORE, HAS BEEN RUMORED. SUCH FUNDS WOULD COMPLEMENT THE \$1 BILLION FOREIGN BANK LOAN SPAIN SIGNED AUGUST 9

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PAGE 02 MADRID 06271 161955Z

AND STILL NOT VIOLATE THE VERBAL AGREEMENT GOS GAVE TO

STAY OUT OF INTERNATIONAL MONEY MARKET UNTIL 1977. WITH
SPAIN'S CURRENT ACCOUNT DEFICIT STILL SHOWING VIRTUALLY NO
IMPROVEMENT OVER LAST YEAR'S FIGURES, THE PURPOSE OF THE
ARAB LOAN WOULD BE TO LIMIT THE DRAWDOWN OF RESERVES AS MUCH
AS POSSIBLE.

STABLER

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